

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

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TAGS: ECON, ENRG, EPAP, DR

SUBJECT: NEW GODR ANTI-INFLATIONARY AND OTHER ECONOMIC MEASURES

1. WITHIN THE PAST WEEK THE GODR, REACTING TO INFLATIONARY PRESSURES, MOVED TO RAISE MINIMUM WAGES AND TO SUBSIDIZE ELECTRICITY COSTS THROUGH AN INCREASE IN THE LOCAL PRICE OF SUGAR. OTHER SIGNIFICANT ANTI-INFLATIONARY AND OIL CONSERVING MEASURES ARE IN VARIOUS STAGES OF CONSIDERATION.

2. MINIMUM WAGES. IN A BROADCAST SPEECH OF NOV. 21, PRESIDENT BALAGUER PROPOSED A RAISE IN THE MINIMUM WAGE RATES. THE NEW RATES IN SANTO DOMINGO AND IN THE SUGAR MILLS ARE \$0.50 PER HOUR, OR \$95 PER MONTH; IN FREE ZONE INDUSTRIES: \$0.40/HR. OR \$76 PER MONTH; AND IN ALL OTHERS; \$0.45/HR. OR \$85 PER MONTH. DOMESTIC SERVANTS AND WORKERS IN FIRMS WITH NET WORTH OF \$10,000 OR LESS ARE EXEMPTED. (THE PREVIOUS NATIONAL MINIMUM WAGE THEORETICALLY \$0.25/HR., BUT MODIFIED UPWARD BY A LONG LIST OF MINIMUM WAGES BY SPECIFIC TYPE OF INDUSTRY AND JOB CATEGORY; FREE ZONE WAGES WERE \$0.10/HR. LOWER THAN FOR THE SAME CATEGORY OUTSIDE THE ZONE.) THE PROPOSED LAW WOULD NOT CHANGE ANY SPECIFIC MINIMUM WAGE

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ALREADY HIGHER THAN THE NEW GENERAL MINIMUM. THE EXPECTATION

IS THAT MOST WAGES EVENTUALLY WILL BE PUSHED UPWARD BY THE NEW MINIMUMS.

3. AT THE SAME TIME, THE MINIMUM DAILY PAY FOR AGRICULTURAL WORKERS WOULD BE RAISED TO \$2.50 (FROM \$2.00). THE PRESIDENT ALSO ANNOUNCED THAT WAGES FOR GOVERNMENT WORKERS NOW EARNING LESS THAN \$200 PER MONTH WOULD BE RAISED IN MARCH 1975. THE BILL WAS PASSED BY THE SENATE ON NOV. 26 IN TWO CONSECUTIVE READINGS, APPROVED BY CHAMBER OF DEPUTIES ON NOV. 28, AND PROMULGATED BY THE GODR ON NOV. 29.

4. SUGAR AND ELECTRICITY. IN THE SAME SPEECH, THE PRESIDENT INDICATED THAT HE WAS FAVORABLY DISPOSED TOWARD AN EDITORIAL RECOMMENDATION IN LISTIN DIARIO TO RAISE THE VERY LOW LOCAL SUGAR PRICES IN ORDER TO SUBSIDIZE THE INCREASED PETROLEUM COSTS FACING THE DOMINICAN ELECTRIC CORPORATION. (CDE). ON NOV 25, THE GODR FORMALLY ANNOUNCED A LOCAL PRICE RISE OF FIVE CENTS PER POUND FOR BROWN SUGAR TO \$0.14/LB., AND SIX CENTS FOR REFINED TO \$0.17/LB. IN ONE POUND BAGS AND \$0.18/LB. IN FIVE POUND BAGS. (SIC). THE LOCAL SUGAR MARKETING SYSTEM HAS ALSO BEEN CHANGED: THE GODR PRICE STABILIZATION INSTITUTE (INESPRE) WILL HENCEFORTH PURCHASE ALL SUGAR FOR DOMESTIC CONSUMPTION FROM THE REFINERIES AND IN TURN WILL SELL TO THE WHOESALERS; PREVIOUSLY WHOLE-SALERS BOUGHT DIRECTLY FROM THE REFINERIES. NINETY-FIVE PERCENT OF THE DIFFERENCE BETWEEN THE WHOLESALE PRICE AND THE INESPRE PURCHASE PRICE WILL BE USED TO SUBSIDIZE CDE AND TO INCREASE THE SALARIES OF SUGARCANE CUTTERS; THE OTHER FIVE PERCENT WILL COVER INESPRE HANDLING COSTS. ESTIMATES OF THE SUBSIDY FOR CDE VARY BETWEEN \$18 - \$22 MILLION PER YEAR (CDE HAS STATED THAT ITS BILL FOR IMPORTED FUEL THIS YEAR WILL BE \$34 MILLION VS. \$5 MILLION IN 1973).

5. OTHER MEASURES. ON NOV. 29, THE GODR PROMULGATED A LAW WHICH FROZE AT CURRENT LEVELS PRICES OF CERTAIN ESSENTIAL COMMODITIES AND CREATED A TECHNICAL COMMISSION, HEADED BY THE SECRETARY OF INDUSTRY AND COMMERCE, TO STUDY ALL REQUESTS FOR ANY INCREASES IN PRICES IN THESE ITEMS.

6. COMMENT. BALAGUER IS NOW CONFRONTING THREE PROBLEMS WHICH LIMITED OFFICIAL USE

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HAVE OCCASIONED STONG CRITICISM LOW WAGES, INFLATION IN GENERAL, AND RISING ELECTRICITY COSTS IN PARTICULAR). THERE IS NO QUESTION BUT THAT WAGES HAVE NOT KEPT UP WITH INFLATION, ESPECIALLY IN THE CASE OF GOVERNMENT WORKERS. LOCAL REACTION TO THE MINIMUM WAGE PROPOSAL HAS BEEN MIXED, WITH EMPLOYERS GENERALLY FAVORABLE AND UNIONS SOMEWHAT UNHAPPY ON THE GROUNDS THAT THE RISE IS NOT ENOUGH. A POSSIBLE SUBSIDY OF ELECTRICITY RATES IS WELCOMED BY ALMOST

EVERYONE, BUT LOCAL INDUSTRIAL USERS OF SUGAR (SOFT DRINK
BOTTLERS, CANDY MAKERS) ARE COMPLAINING BITTERLY. THE REAL
EFFECT OF MORE STRINGENT PRICE CONTROLS WILL DEPEND ON HOW
FIRMLY THE PRESIDENT CHOOSES TO ENFORCE THEM AND HOW MUCH
THE GODR CAN DEVELOP ANY CAPABILITY IN THAT AREA.
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